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Monday 6 February 1978 CG NIDC 78/030C

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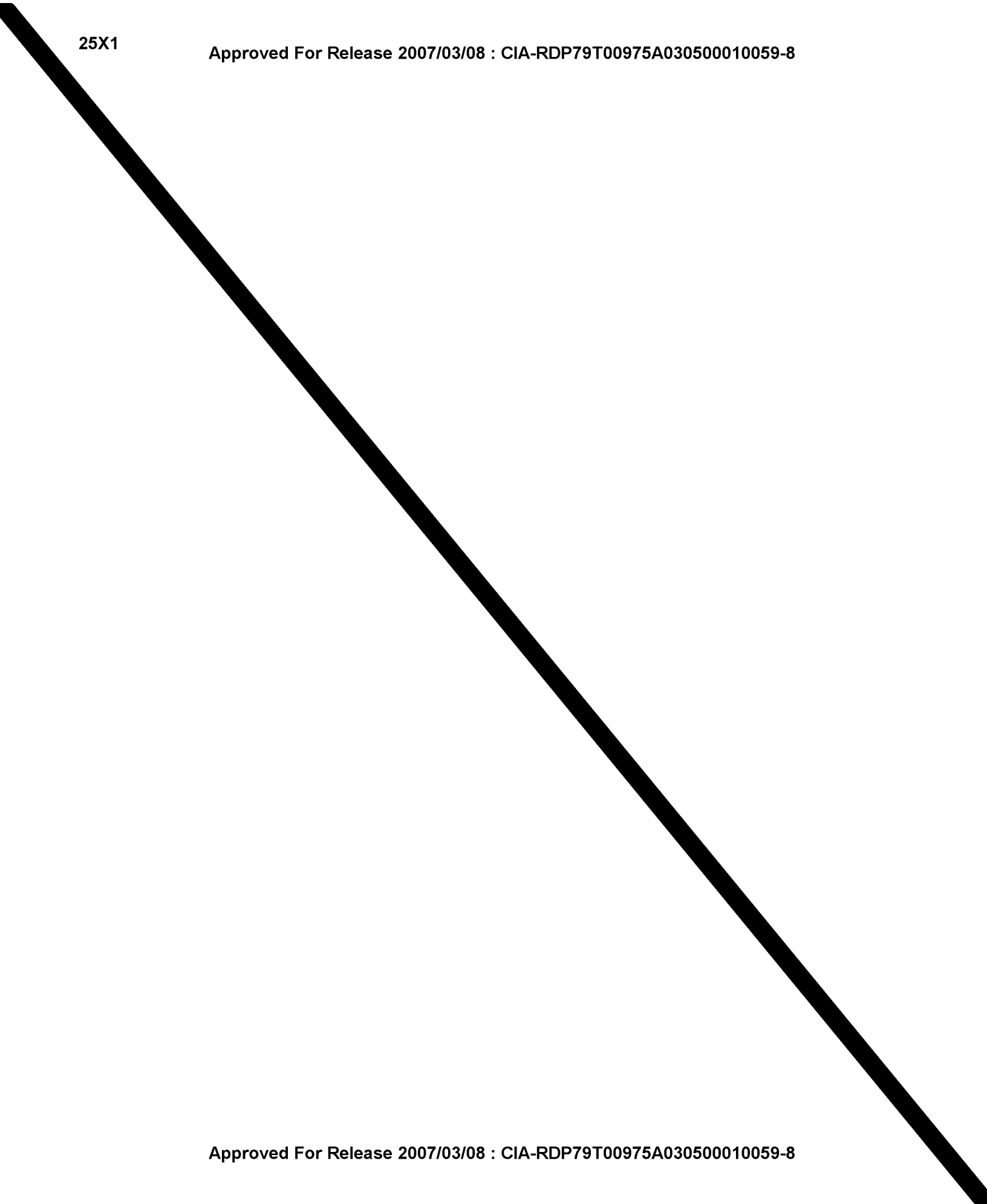

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National Intelligence Daily Cable for Monday, 6 February 1978

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The NID Cable is for the purpose of informing senior US officials.

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ETHIOPIA-SOMALIA: Situation Report

25X1 //*The Somalis continued over the weekend to press their claim that Ethiopia's Soviet- and Cuban-supported counteroffensive had begun. We believe, however, that the Ethiopians are probably conducting limited tactical operations in an effort to take advantage of the recent Somali setbacks around Harar.* 25X1

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25X1 The Somali Minister of Information told the press on Saturday that a two-pronged Ethiopian counteroffensive had begun late last week. The Somali Foreign Minister called in Western ambassadors the same day to deliver a similar message, claiming that the offensive was being carried out by Soviets and Cubans and that no Ethiopian troops were involved.

25X1 //According to the US Ambassador, however, Somali President Siad told the Egyptian Ambassador earlier that the situation was not "desperate." Moreover, an Egyptian military attache in Mogadiscio who has been a frequent reporter on Somali military matters indicated to US Embassy officials on Saturday that the Somalis still seemed able to handle the situation. He said Somali morale remained good.//

25X1 //There is little doubt that the Somalis are becoming increasingly concerned about an impending Ethiopian offensive, particularly in the wake of their recent setbacks around Harar. We have good evidence, however, that the Ethiopians are holding to their schedule for the offensive, which does not call for sustained operations to begin for at least a few more weeks.//

25X1 The Somalis are probably feeling pressure from Ethiopian ground and air attacks. These attacks are aimed at maintaining the initiative the Ethiopians seized after driving the Somalis back from Harar late last month.

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PORTUGAL: Soares' New Directions

25X1 *In a speech to the National Assembly on Thursday, Portuguese Prime Minister Soares outlined his new government's program and indicated that the ideals of the Socialist Party would have to take a back seat to economic recovery for now. The new program closely follows the agreement between the Socialists and Center Democrats that gives Soares majority support in the legislature. It subordinates almost every sector of national life to the need for economic recovery.*

25X1 *Soares said he was concerned that the austerity measures he plans to adopt could cause social unrest but warned that further crises might endanger democracy. He said he will reopen talks with the opposition parties and other groups in the country to seek their support, but even as he spoke thousands of railroad workers and teachers were on strike.*

25X1 Economic stabilization and resumption of negotiations with the International Monetary Fund for crucial loans are the main priorities of the 312-page program. The strategy proposed for achieving stabilization is to reduce the balance-of-payments deficit by curbing consumption and imports while stimulating investment and exports.

25X1 Cuts in consumption and imports are expected to be achieved by limiting wage increases, by allowing prices to reflect costs, and by exercising fiscal and monetary restraint. Stimulating investment and promoting exports is to be accomplished through greater public capital spending and through measures aimed at improving the financial position of enterprises, particularly labor legislation to increase productivity and contain labor costs.

25X1 The economic objectives of the program appear to be generally in line with recommendations put forward by the IMF before talks with Portugal were suspended in December. Negotiators from the Fund will probably be invited to return to Portugal soon after a vote approving the government program. Such a vote is expected by the middle of this month. In the meantime, a technical-level group from Portugal may bring the Fund up to date on Portuguese economic developments.

25X1 The program could bring about an economic slowdown accompanied by still higher unemployment and a slump in production of goods and services. Consumers will be pinched by higher prices

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and increased taxes. Most segments of the public will probably take a wait-and-see attitude initially, but the Communist Party, which controls 80 percent of organized labor, will probably try to fan discontent to advance its political position.

25X1 [redacted] Soares had hardly finished his presentation before a number of labor organizations demonstrated their disapproval of the government and its program. Some 27,000 railroad workers and 20,000 school teachers went on strike on Thursday to highlight grievances dating back to the first Soares government, which fell on 8 December. While not directly related to the new belt-tightening measures, the strikes reflect labor's contempt for the socialist-conservative regime and fears that labor's interests are threatened. Further labor disturbances are expected.

25X1 [redacted] Soares' speech did little to inspire confidence among leftists. "Only the advocates of Utopia," he said, "could believe that, given the present balance of forces in Portuguese society and the international situation, it would be possible here and now to advance toward democratic socialism." He also said that the agrarian reform law--which has long roused the Communists' ire by threatening some of their holdings acquired in the early days of the 1974 revolution--will be pushed more effectively than in the past.

25X1 [redacted] The Prime Minister sought to discourage strikes, a major weapon in the Communist arsenal. While acknowledging that workers had a right to defend their legitimate interests, Soares implied that strikes were more often mounted to test the strength of the political institutions. Such strikes, he said, would antagonize the country's extreme right and perhaps prompt a coup.

25X1 [redacted] Soares appeared less concerned about the Social Democrats, his major opposition on the right. The Social Democrats decided at a party congress last week to adopt a position of selective, rather than systematic, opposition. They probably will not oppose the government on many of its policies but will resist any kowtowing to the left or extensive foreign intervention in the Portuguese economy.

25X1 [redacted] Soares strongly defended his alliance of convenience with the Center Democrats, saying that they were the only party

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of the former opposition willing to submerge narrow party interests for the country's welfare. Both Soares and Center Democratic leader Freitas do Amaral say their pact will last until regularly scheduled elections are held in 1980. Prospects look good for the short term, but if Soares is unable to secure some support from the Communists and the labor groups they control, the situation could rapidly deteriorate. 25X1

SUDAN: Concerns About Chad

25X1 *The situation in northern Chad, where Libyan-backed rebels have made significant gains over the past few days, is probably being watched carefully by the Sudanese, who have had their own troubles in the past with Libyan-supported dissidents. President Numayri will become particularly concerned if the fighting spreads to the Chad-Sudan border area, an area of chronic Sudanese dissidence.*

25X1 Numayri fears that Libya's support for the Chadian rebels is inspired by the Soviets and part of a broader plan to undermine Western-oriented governments in the region. The Sudanese believe the Soviets want to overthrow Numayri to strike a blow at Egypt.

25X1 The Sudanese are already in something of a bind on policy toward the Horn of Africa. Saudi Arabia, which provides Sudan with substantial economic support, is urging Numayri to back the Somalis against Ethiopia. Numayri believes the Ethiopians will eventually win in the Horn, does not want to be associated with a losing cause, and wants to avoid creating another enemy that is backed by the Soviets. 25X1

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THAILAND-CAMBODIA: Diplomatic Visit

25X1 *Thai Foreign Minister Uppadit returned to Bangkok on Thursday after four days of talks with Cambodian Foreign Minister Ieng Sary in Phnom Penh. Labeling the talks a success, Uppadit announced that the two governments had agreed to exchange ambassadors soon and to resume trade and economic relations.*

25X1 The Thai are anxious to hold further talks aimed at easing tensions along the 800-kilometer Thai-Cambodian border. Cambodian forces apparently attacked a Thai village only five days before Uppadit left for Phnom Penh. 25X1

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25X1 The Foreign Ministers' talks essentially returned Thai-Cambodian relations to the point they had reached in October 1975, when both sides signed a communique agreeing to exchange ambassadors. This exchange was never carried out, but Cambodia's border war with Vietnam may now encourage Phnom Penh to be more cooperative. During the talks the Cambodians also agreed to release an unspecified number of Thai fishermen arrested for entering waters claimed by Phnom Penh. 25X1

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VIETNAM-CAMBODIA: Peace Plan

25X1 *At a press conference in Hanoi yesterday, the Vietnamese Foreign Ministry proposed a three-point plan to resolve the current border conflict with Cambodia. The plan calls for the two sides to:*

-- *End hostilities immediately and withdraw their military forces five kilometers from the border.*

-- *Meet at Hanoi, Phnom Penh, or a point on the border to discuss and conclude a treaty banning aggression and subversion.*

-- *Agree on an appropriate form of international guarantee and supervision.*

25X1 The Vietnamese clearly are eager to halt the fighting and to begin talks that would end Cambodian border incursions. Hanoi probably made the proposal publicly in order to put pressure on Phnom Penh to respond, and to place the onus on the Cambodians for any failure to reach a peaceful settlement. The Vietnamese no doubt realize that Cambodia is unwilling to withdraw its military forces from Cambodian territory near the border and that it is even less willing to allow the UN or another international body to police a cease-fire line.

25X1 The Cambodians are likely to reject the proposal and denounce it as a propaganda ploy, but their reaction could provide some indication of whether they have any interest in reaching a peaceful resolution of the issue. A response that suggests alternate conditions for negotiations, for example, would be a hopeful sign. Phnom Penh, of course, could also signal a willingness to ease tensions by reducing its provocations along the
25X1 border. 25X1

CHINA-NEPAL-BURMA: Relations

25X1 *Chinese Vice Premier Teng Hsiao-ping's visits to Burma and Nepal appear to have been long on symbolism but short on substance. Teng is the highest ranking Chinesee official to travel abroad since Chairman Mao's death, and Burmese and Nepalese officials seemed pleased with the visits. The most politically significant aspect of the trip was his call in Kathmandu for improved Sino-Indian relations.*

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25X1 Teng is scheduled to return to Peking from Nepal today; official talks in Kathmandu concluded on Saturday. Nepalese Prime Minister Bista apparently sought Teng's agreement for Chinese cooperation in three areas: the expansion of overland trade between Nepal and Tibet, the opening of a tourist route to Tibet through Nepal, and Chinese participation in regional efforts to harness Himalayan water resources.

25X1 Teng appeared unenthusiastic about these proposals in a press conference on Saturday. He said Peking would "study" the first two and explicitly ruled out any near-term Chinese participation in joint Himalayan water projects. At a dinner given yesterday by Teng, Bista announced that a Chinese delegation would visit Nepal soon to study various new aid projects. Teng made no mention of that in his reciprocal speech, a sign that he had made no significant commitment.

25X1 In response to a journalist's question at the press conference, Teng said that China was "eager to develop friendly relations with India," but added that Indian goodwill was also required. He may have been alluding to New Delhi's rejection last fall of secret Chinese conditions for the opening of negotiations on the two countries' longstanding border dispute and to New Delhi's tendency publicly to stress difficulties in the Sino-Indian relationship rather than its positive aspects.

25X1 In Burma, Teng spent most of his five-day visit sightseeing and being entertained by Burmese cultural groups. Chinese support to Burmese insurgents apparently was not discussed during his three hours of official talks with President Ne Win. Burmese officials nevertheless have expressed pleasure that Peking has moved to eliminate strains in Sino-Burmese relations that have existed since the Cultural Revolution. 25X1

CHINA-EGYPT: Support for Sadat

25X1 *Peking has officially endorsed Egyptian President Sadat's Middle East peace initiative. The endorsement came in a statement by Premier Hua Kuo-feng broadcast on Saturday by the official Chinese news agency.*

25X1 Hua said Sadat's cause is just and "conforms to the interests of the Egyptian, Palestinian, and other Arab peoples." The statement was made in conjunction with a meeting between

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Hua and special Egyptian envoy Tuhami, who delivered a personal letter from Sadat. The Egyptian press reported last week that the letter would serve to bring the Chinese up to date on the latest Middle East developments.

25X1 [redacted] China's willingness to go on record in support of Sadat reflects its privately expressed apprehensions that the continued stalemate or a breakdown in the Egyptian-Israeli talks could seriously erode Sadat's support at home. Two years ago, similar Chinese concerns over the effect that the USSR's halt in military aid to Egypt might have had on Sadat's position--coupled with the desire to score propaganda points at Soviet expense--resulted in much-publicized but largely symbolic Chinese shipments of military aid to Cairo.

25X1 [redacted] Hua's endorsement of Sadat is likely to be a "one-shot" affair; Peking has diplomatic relations and political equities to protect with many of the hard-line Arab governments. In quoting Hua at a banquet for Tuhami, Vice Premier Li Hsien-nien omitted Hua's specific statement of support for Sadat's peace initiative while repeating the Premier's urgings for Arab
25X1 unity. [redacted]

[redacted]

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LAW OF THE SEA: Complex Questions

25X1 *The Law of the Sea intersessional talks that begin today in New York should give an indication of the prospects for the seventh formal session, which opens on 28 March in Geneva. The intersessional meeting will focus on the two issues that have thus far blocked agreement on a comprehensive oceans treaty: regulations for deep-seabed mining, and access*

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by landlocked and "geographically disadvantaged" states to living resources in the 200-mile exclusive economic zones of neighboring coastal countries. Procedural revisions for the Geneva session--seen by participants as vital to an expeditious and successful meeting--will also be discussed.

25X1 Numerous multilateral and bilateral discussions have been held since the previous formal session ended in deadlock last summer. The nations participating in these discussions displayed more pragmatic attitudes than before--reflecting a general awareness that the Conference is at a make-or-break point--but the outlook is still tenuous.

25X1 The delegations must still consider complex questions. Among these are access by states and private companies to the mineral resources in seabed manganese nodules; controls over mineral production; the composition, powers, and financing of an international seabed authority; technology transfer; and provisions for treaty review. The more moderate developing countries will find it difficult not to support the radical states, which have drafted seabed mining terms fundamentally unacceptable to developed nations.

25X1 The 50 or so landlocked and geographically disadvantaged nations--comprising one-third of the Conference membership--could be a pivotal force in reaching a compromise on the mining issue. Their fishing demands, however, are generally seen as excessive by coastal states. This could undercut any effort to effect a tradeoff on these two issues. 25X1

BRIEFS

Djibouti

25X1 A new government of 14 ministers--six Afars, six Issas, and two representatives from minority elements--was named in Djibouti yesterday by President Gouled, an Issa. Gouled's provision for equitable Afar representation in the new government is an attempt to ease the ethnic antagonisms that have come close to provoking civil conflict.

25X1 The Afars had become increasingly alienated from the preceding, Issa-dominated government because of its favoritism toward ethnic Somalis in Djibouti and toward Somalia in its

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war with Ethiopia. The Afar community will not be appeased, however, unless the Afar cabinet ministers--especially Prime Minister Kamil, who also holds the defense and foreign affairs portfolios--are allowed to exercise real power in the new government.

El Salvador

Workers affiliated with the leftist Popular Revolutionary Bloc, who had taken over the United Nations Information Center in San Salvador on Friday, released all of their hostages on Saturday and vacated the building peacefully. Although they had originally demanded the release of political prisoners, the workers left after the office director promised to forward their complaint to the UN headquarters in New York.

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